THE RRIF DILEMMA: TAKE THE MONEY AND RUN… OR LET IT RIDE?

Michael Preto, CFP®, CIM®

Retirement income planning in Canada is full of opinions. One strategy we hear often—and that sounds tempting—is to draw from your RRIFs (Registered Retirement Income Funds) early, even if you don't need the income, and move the funds into a non-registered investment account. The idea is to "spread out the tax hit," reduce future clawbacks on Old Age Security (OAS), and create a smoother ride later on.

At first glance, it makes sense. Why wait to be forced into higher tax brackets at 71 when you can draw earlier and pay less tax now?

But here's the thing—we've run the numbers. Extensively. And while there are always exceptions, the general answer for most Canadians is simple:

Let the tax deferral ride.

WHY THE "EARLY RRIF DRAWDOWN" IDEA CATCHES FIRE

The strategy is rooted in valid concerns:

- You don't want to be surprised by high marginal tax rates later in retirement.
- You'd like to minimize or avoid OAS clawback.
- You're looking to "flatten" your tax bill over time.

These are reasonable goals. And yes, in some very specific cases—like when someone retires early with little to no other taxable income—it might make sense to draw early.

But that's not the typical case. And it doesn't tell the whole story.

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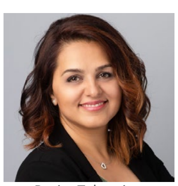

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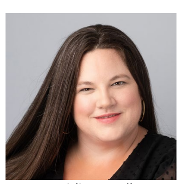

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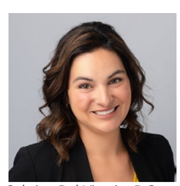

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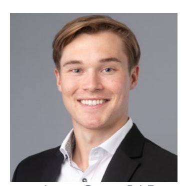

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The Power of Tax Deferral (Don't Underestimate It)

Every year that money stays in your RRIF (or RRSP pre-conversion), it grows tax-deferred. That means:

- No taxes on interest, dividends, or capital gains.
- More compounding working in your favour.
- A delay of taxation until a time when you may still be in a reasonable tax bracket, depending on your overall income needs and portfolio structure.

When you pull that money out early and shift it into a non-registered account, you trigger tax today—and lose the benefit of that tax-sheltered compounding. Sure, you might get some dividend tax credits and capital gains advantages in the non-reg account, but it rarely outweighs the benefit of deferral.

In short: you're trading a future *maybe* for a guaranteed *ouch* today.

The OAS Clawback Boogeyman

OAS clawback starts when your net income exceeds around $90,000 (indexed annually). For most retirees, it's not a real issue—especially those who aren't spending anywhere close to that number.

If you are in that income range, it's more important to look at broader tax planning across all income sources rather than knee-jerk pulling money out of your RRIFs. In many cases, better estate planning, pension splitting, and charitable giving strategies provide more bang for your buck.

Our Philosophy: Don't Fix What's Not Broken

At Hillside, we're not shy about challenging conventional wisdom—and this is one of those times.

Our analysis consistently shows that for most people, the optimal move is to **stay the course**, benefit from long-term tax deferral, and only draw from your RRIFs when required—or when it clearly fits into a broader, personalized strategy.

This isn't about playing it safe. It's about performance. About freedom. About keeping more of your money working for you instead of handing it over to the CRA before you need to.

Want a second opinion on your drawdown strategy? Let's talk. We will take a deep dive into your situation, run the numbers and show you the results- we'll do the work.

Retirement income planning is one of the most powerful levers you have to build the life you want—and we're here to help you make the most of it.